

The importance of freedom of note issues in developing banking in a new country is indicated by the early returns of the Canadian banks, in spite of the considerable deposits which they were able to obtain. The total deposits of the three banks of the lower province in 1824 were £135,426, while the circulation was £167,498; the deposits in 1825 were £151,637 and the notes in circulation £177,454; the deposits in 1826 were £176,475 and the notes £193,548. The debts due to the banks, which may be assumed to represent chiefly the discounts, were £529,363 in 1824, £585,265 in 1825, and £594,515 in 1826. The debts due the Montreal Bank in the latter year were £371,334; Quebec Bank, £111,523; and Bank of Canada, £111,658. The banks secured the renewal of their charters in 1830 and 1831, until June 1, 1837. The legislation of this time cut off possible note issues by private bankers, by prohibiting notes payable to bearer except when issued by banks incorporated by law in Lower Canada. The total amount of notes in circulation for less than \$5 was limited to one-fifth the capital stock of the Bank of Montreal and notes for less than five shillings were prohibited. Similar limitations were imposed upon the Quebec Bank and the power was reserved to the legislature to prohibit or limit entirely the circulation of notes under \$5.

The Bank of Canada found its business falling off in 1825 and after gradually reducing its capital stock went into liquidation in 1831, upon the lapse of the charter. The bank did not fail or suspend payments, but adopted a policy of paying uncurrent and underweight coin, which led the Bank of Montreal to refuse its checks and notes and caused the rapid reduction of deposits until it became unprofitable to continue business. A charter was granted to the City Bank of Montreal in 1831, upon the representation of leading merchants that the capital of the existing bank was "altogether inadequate to the circulation of the valuable articles of import and export which its geographic position naturally brings to it," and that the most effectual preventive of the evil of monopoly * * is the admission of reasonable